

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2018/2019

BIF7104 – INTERNATIONAL FINANCE
(MBA Full Time)

29th May 2019
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTION TO STUDENT

1. This question paper consist of **THREE (3)** pages (including the cover page).
2. Answer **ALL** questions. The marks distributions are given in parentheses.
3. Write all your answers in the **Answer Booklet** provided.

QUESTION 1 (50 MARKS)

The 48% jump to RM80.5 billion in approved foreign direct investments (FDI) recorded last year shows that Malaysia is enjoying encouraging economic growth, said the Ministry of Finance. The approved FDI figure is “an important leading indicator that can provide crucial information about the health of the economy,” its minister Lim Guan Eng said in a statement today. He credited the FDI growth to “the steady hands provided by the government in steering the economy”, while pointing out that approved FDIs for all sectors was only RM26.5 billion in the first half of 2018, but grew significantly and came in at RM54 billion in the second half. “The FDI growth is augmented by a healthy 3.2% year-on-year expansion in January 2019 for the Industrial Production Index (IPI), which is better than the market consensus of 2.3% as compiled by Bloomberg.

At the same time, MITI revealed that domestic direct investments (DDI) had fallen 17% to RM121.2 billion from RM146.2 billion in 2017, which shrank the DDI’s share of the approved investments pie to 60% from 72.9% previously – though no particular reason was given to explain the fall. Lim, meanwhile, went on to say that the FDI growth also highlights the crucial role Malaysia plays as a stable regional manufacturing hub, as well as a safe haven for international supply chains amid the continuing trade war between China and the United States. “Indeed, FDI planned by manufacturers from China rose 410.8% or RM15.8 billion from RM3.9 billion in 2017 to RM19.7 billion in 2018. At the same time, approved manufacturing investment from the United States grew by 184.9% or RM2.1 billion from RM1.1 billion in 2017 to RM3.2 billion,” Lim said. Besides manufacturers from China and the US, Indonesian investors are also widening their footprints here, he indicated. “Indonesian investors intended to invest RM9.0 Billion in 2018 from a mere RM0.5 Million in 2017, which makes Indonesia the second largest source of foreign manufacturing investment after China,” he said. On that note, he said the Malaysian government will continue with its reforms to raise the quality of growth and to ensure that the fruits of Malaysian growth are shared across all segments of society.

Source: The Edge Markets, 16 March 2019

- a) Explain the importance of foreign direct investment (FDI) in developing Malaysian economic? **(15 marks)**
- b) Describe the challenges of attracting foreign direct investment (FDI) to Malaysia. **(15 marks)**
- c) How can Malaysia sustain the high performance of its foreign direct investment (FDI)? **(10 marks)**
- d) As more investors shift funds into emerging markets, what factors will drive expected returns? **(10 marks)**

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QUESTION 2 (25 MARKS)

In the early 1990s, China decided that by year 2000 it would boost its electricity-generating capacity by more than half. To do that, it is planning on foreigners' investing at least U.S.\$20 billion of the roughly \$100 billion tab. However, Beijing has informed investors that, contrary to their expectations, they will not be permitted to hold majority stakes in large power-plant or equipment-manufacturing ventures. In addition, Beijing has insisted on limiting the rate of return that foreign investors can earn on power projects. Moreover, this rate of return will be in local currency without official guarantees that the local currency can be converted into foreign currency and it will not be permitted to rise with the rate of inflation. Beijing says that if foreign investors fail to invest in these projects, it will raise the necessary capital by issuing bonds overseas. However, these bonds will not carry the "full faith and credit of the Chinese government."

- a) Describe the problems that you foresee on foreign investors in China's power industry?
(10 marks)
- b) What options do potential foreign investors have to cope with these problems? (5 marks)
- c) How credible is the Chinese government's fall-back position of issuing bonds overseas to raise capital in lieu of foreign direct investment?
(10 marks)

QUESTION 3 (25 MARKS)

- a) How has globalization affected government regulation of national capital markets?
(6 marks)
- b) Why are many multinationals seeking to improve their visibility with foreign investors, even going so far as to list their shares on foreign stock exchanges?
(6 marks)
- c) What are the advantages and disadvantages of centralizing the cash management function of multinational corporation (MNC)?
(13 marks)

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